

EXHIBIT C



Online retailer Overstock to accept Bitcoin

By Ben Rooney @CNNMoneyInvest December 20, 2013: 2:22 PM ET

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PHOTO: GEORGE FREY/GETTY IMAGES

Overstock.com CEO Patrick Byrne is endorsing Bitcoin. His company is the first major U.S. retailer to do so.

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NEW YORK (CNNMoney)

Overstock.com will become the first major U.S. retailer to accept Bitcoin, the company's ch
CNNMoney Friday.

Byrne said customers will be able to use the virtual currency to make purchases on Overst
everything from digital cameras and bed sheets to patio furniture and even cars. The comp
revenue of \$1.3 billion for 2013, according to FactSet Research.

"We think there's going to be a market in Bitcoin, and we want to get in front of it," said Byrne-tailer that accepts them." Byrne first made comments about Overstock.com accepting Bitcoin [blog newsBTC](#) and later in the *Financial Times*.

Overstock plans to begin accepting Bitcoin near the end of the second quarter of 2014. By his background in the Austrian School of economics, which is associated with the Libertarian

"We're the guys who like gold," he said. "We think the monetary base should not be something with a stroke of a pen."

Unlike traditional currencies, Bitcoin is not backed by any government authority or central bank and is "mined" by powerful computers that solve complex math puzzles.

Byrne said he is concerned about the possibility of "bad currency wars" in the future. He said it is undermined by the Federal Reserve's easy money policies and by overspending by politicians.

[Related: What is Bitcoin?](#)

Like gold, Byrne said Bitcoin should hold its value better than the dollar because it is "mathematically" not to be manipulated by government authorities.

There are currently 12.1 million bitcoins in circulation, according to [blockchain.info](#). The total supply is 21 million.

Critics say Bitcoin is at best a fad and at worst a haven for criminals looking to buy and sell drugs. Supporters argue that Bitcoin is a more democratic alternative to traditional currencies.

Former U.S. Congressman Ron Paul, an outspoken Libertarian from Texas, has said that Bitcoin is a "destroyer" if it goes mainstream.

Bitcoin has exploded in value this year, rising from about \$13 in January to [more than \\$1,200](#). In December, bitcoins were trading at about \$739 on the Mt. Gox exchange.

The currency is prone to wild swings and experts say Bitcoin will remain volatile as the technology matures.

Byrne acknowledged that the volatility is a problem and that Overstock will need to "continue to avoid losing money. Eventually, he said there will be a derivatives market that will allow investors to trade Bitcoin.

[Related: Bitcoin worth almost as much as gold](#)

In some respects, it's not a surprise that Overstock would move to accept Bitcoin. The company is known for quirky ads and for shortening its name online to O.co.

Byrne also has a penchant for writing long, rambling shareholder letters in earnings reports. "Minutes" to complain about short sellers who were betting against his stock. He even told opportunities come along where we can knee the shorts in the groin, that's always good for icing on the cake."

But Overstock is not the first business to embrace Bitcoin.

British entrepreneur **Richard Branson** made a splash in November when he announced the travel venture, Virgin Galactic, will allow customers to pay for their flights with Bitcoin.

China's leading search engine Baidu (**BIDU**) also accepts Bitcoin for certain services. **Amazon** accepted Bitcoin as payment for a Tesla (**TSLA**) Model S, valued at \$100,000.

Bitcoin has been a particularly popular investment in **China**, but regulators have been cracking down. The largest bitcoin exchange, BTC China, abruptly stopped accepting new deposits. That came with a warning and announced new rules for financial institutions dealing in bitcoins earlier this month.

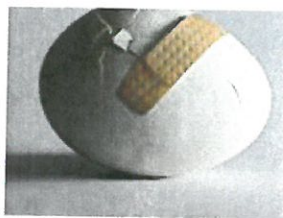
European Union officials have also warned about the risks of Bitcoin and may consider regulating it.

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EXHIBIT D

Bitcoin ATMs come to USA

Bitcoin -- the virtual currency that has ignited the imagination of techies, investors and investors -- has landed in Austin, Texas. But financial experts say the technology isn't for everyone. VPC

Rick Jarvis, USA TODAY [\(/staff/1130/rick-jarvis\)](/staff/1130/rick-jarvis) 8:06 p.m. EST February 20, 2014



(Photo: Deborah Jones, Getty Images)

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AUSTIN -- Bitcoin -- the virtual currency that has ignited the imagination of techies, investors and investors -- has come to Texas.

On Thursday, organizers unveiled one of the USA's first Bitcoin ATMs in the back room of a downtown Austin bar. Other Bitcoin machines have sprouted in Boston and Albuquerque, but those offer only Bitcoins for cash -- not cash for Bitcoins. The Austin ATM would be the first of its kind in the USA to dispense cash.

The Austin ATMs are being rolled out in time for SXSW, the three-week interactive/film/music conference that begins March 7.

DAILY CHAT: [Would you use a Bitcoin ATM? \(https://twitter.com/USATODAY/status/436533305421611008\)](https://twitter.com/USATODAY/status/436533305421611008)

Launched in 2009, Bitcoin is a decentralized digital currency that is traded mostly online and person to person rather than through banks. Started by programmers whose identity remains anonymous, the unregulated cyber currency has been gaining popularity in the USA and accepted as payment at scores of businesses.

The first Bitcoin ATM was set up at a Vancouver coffeehouse last year. Austin, known for its vibrant tech community as well as scores of music clubs, was a natural spot to launch one of the first U.S. Bitcoin ATMs, said Jordan Kelley, chief executive of Robocoin, the Las Vegas company that makes the machines.

"We're really excited about the community and culture Austin has," he said. "And it's a fantastically central location. It's right on the 50-yard-line of the U.S."

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The ATM is at the Handlebar, a hipster hangout on East Fifth Street in Austin. The machine will scan a user's palm print and government-issued ID to verify identity, then allow the user to add money to a virtual Bitcoin "wallet" or withdraw the currency to a mobile phone app, Kelley said.

The machine will also perform a facial-recognition scan to verify identity. "All you need is your phone, your ID, your palm and your face – all the things people carry with them on a daily basis," he said.

Bitcoin, which could be used to buy anything from a steak dinner to sporting event tickets, has had its share of controversy.



Federal agents charged a Bitcoin dealer last month with money laundering for allegedly selling more than \$1 million worth of the cyber currency to people on a black market website that deals in drugs and illicit goods.

And last week hackers forced the shutdown of Bitcoin's largest exchange service, Bitstamp, for several days. But the popularity of the virtual currency continues to climb, trading at more than \$600 per Bitcoin, according to Bitcoin websites.

Use of Bitcoin's will only continue to surge, said Antonis Polemitis, manager partner of Ledra Capital LLC, a New York venture capital firm investing in Bitcoin-based companies. Bitcoin today is at the level where the Internet was in 1994 or 1995, with 20 years of application in its future, he said.

"It really allows people to interact with each other to exchange value – whether it's currency or other types of assets – without a central party in the middle," Polemitis said. "It's mind-blowing."

Reza Piri, an Austin web developer and entrepreneur, met with Kelley last month while on his bachelor party in Las Vegas. After a morning meeting, he was buying two of the \$25,000 machines and bringing them back to Austin. He plans to showcase one at SXSW, when more than 30,000 tech enthusiasts and industry leaders are expected to descend on the city.

"Austin is perfect for this," Piri said. "We want to make (Bitcoin) mainstream and bring it to the people."

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(<https://twitter.com/intent/tweet?url=http://usat.ly/1bnsLiP&text=Bitcoin%20ATMs%20come%20to%20USA&via=usatod>)

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EXHIBIT E



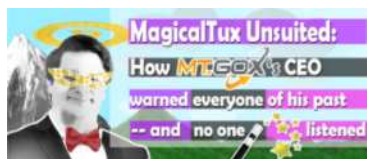
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Internet [Bitcoin King: Mt. Gox CEO Mark Karpelès' History of Arrests, Firings](#)
[Jason Mick \(Blog\)](#) - March 5, 2014 9:05 AM



Mr. Karpelès' work record suggests the young developer is the last one to trust with your cash

If only Bitcoin's backers -- a diverse group ranging from season financial professionals to "average Joes" -- had read this article two years ago, maybe they would have thought twice before blindly trusting a young CEO. Maybe if they had read this piece two years ago, maybe thousands of investors would have avoid losing nearly half a billion dollars of their hard earned money.

I. Financial Advice From a Card Dealer?

But for those who lost it all, the truth is you didn't need to read this article two years ago to find about out about [the eve-opening, largely self-reported history of firings and fraud](#) that littered the record of the man that was in many ways [the baby-faced accidental "king" of the Bitcoin movement](#).

But investors never bothered to even read the words that Bitcoin's biggest mogul had put on the internet for all to see.

Instead, the cryptocurrency's backers were stuck in the "[10 day dream](#)" that the man who appears to have scammed them once found himself happily trapped in. Some tenaciously seized on the novel notion of cryptocurrency would sew the seeds of destruction of the (at times existential) evil of the banking industry. Others investors, ironically, [were wealthy capitalists either part of or tightly tied to the banking industry](#). Deep-pocketed investors sought out the bitcoin for similar reasons as those who despised them -- less regulation. To this class of investors the Bitcoin represented a tempting new form of [lightly monitored/regulated investment](#) that often proved [predictably volatile](#).



The reasons were diverse, but in the end an estimated [1.2 million people worldwide embraced the Bitcoin](#). And for a time most of these backers put their blind trust in an unknown, new website that quickly positioned itself at the forefront of Bitcoin money handling.

The first red flag perhaps might have been the site's well-documented history. It had only recently rebranded itself "Mt. Gox, Ltd." in a not-so-subtle grasp at legitimacy. Just a year before it had been MtGOX ([Magic the Gathering Online Exchange](#)), a site that was originally designed as a trading portal for Magic: The Gathering collectible cards.



Adding a period might help some forget about the original name, but it didn't change the fact that neither Mt. Gox or its owners had any solid experience in the financial industry, nor did they hire sufficient employees with such experience. Had they, perhaps things would not have gone so badly.

Trusting your money with a Magic: The Gathering site might be considered tantamount to other sage financial strategies, such as diversifying into Pokémon fan-sites-turned financial institutions, or dripping your dollars into fan fiction portals that moonlight as money traders.

But until the stunning revelations of the last few months, most never questioned the soundness of entrusting Mt. Gox -- from 2011 to mid-2013 the world's largest Bitcoin exchange -- with half a billion dollars. They would only come to notice the site's origins -- perhaps the first red flag -- after they lost it all.

To those gripped by wild optimism, nothing could go wrong. Their investment ally appeared a bold startup, leading the merry fiscal rebellion. And at its stern was a talkative new owner, who had no reservations about playing evangelist for the fresh financial fad.

Given his website's original line of business, it was perhaps appropriate that this self-proclaimed PHP wizard-turned-Bitcoin mogul had for years went by the handle "Magical Tux". Financial planners might consider that another red flag. Most serious banking experts don't have a humorous handle and spend hours lurking in forums.



Who is Mark Marie Robert Karpelès? Most reports have barely brushed the surface of the young CEO's checkered history. [Image Source: YouTube]

But it is the internet age, after all, an era ruled by [Mark Zuckerberg and his internet ilk](#) -- men and women who make billions [while wearing jeans and a T-shirt](#). Was it really that unbelievable to think that a man who called himself "Magical Tux" online and fancied himself the "king" of Bitcoin could handle a half-billion dollar hedge fund?

Clearly many people found the concept entirely plausible.

Thus when American P2P pioneer Jed McCaleb entrusted his seven-month-old creation to a man who just months before was a struggling cubicle developer at a Japanese IT firm, no one became alarmed. Should they have been? Just [who was this new owner?](#)

His name was [Mark Marie Robert Karpelès](#).

II. Mt. Gox CEO's Dark Secrets Begin to Leak

They say that in the digital era there are no secrets. Indeed that often seems to be the case.

But Mr. Karpelès had plenty of secrets -- including where he got the money to suddenly launch a career as a venture capitalist, and why he was in exile in the first place from his native homeland.

But even in the digital era the darkest of secrets can still lurk undisturbed for years, until the catalyst of current events provokes them to rise like bubbles to the surface.

[March 2011](#) will likely go down in history as one of the most important dates in Bitcoin history, as it was the month when Mr. Karpelès bought a majority stake in Mt. Gox. Assuming the duties of manager, coder, and promoter for the site, Mr. Karpelès would make the portal the best-known name in Bitcoin (and in turn making himself a millionaire in the process).



Mt. Gox earned Mark Karpelès adoration and millions, goodwill and assets he would later squander. [Image Source: Yahoo News]

Most readers will recognize by now that the importance of this event is not in a feel good story, but in a cautionary tale. The month will long be held as a glaring reminder of the danger of failing to probe the digital stranger whom you're entrusting your money with.

When it comes to dark secrets, you won't have to look for long to find them regarding Mr. Karpelès. He chronicled much of his troubled history in his own public blog, which anyone could have read.

Incredibly that history went unread. The lake of information on Bitcoin's new "king" (a title [Wired writes](#) he encouraged employees to refer to him as) went unreported. However, things would begin to bubble up in the wake of what happened last week.

Last week Mt. Gox officially filed for bankruptcy, leaving its customers with potentially nearly half a billion dollars worth of losses. [With a faint hint of a grin](#), Mr. Karpelès claimed that coding glitches had led the company to lose 99.97 percent of its Bitcoins. Incredibly, he suggested that he and his roughly dozen employees never noticed this epic heist, despite the fact that these losses occurred continuously over the last few years.



Mark Karpelès bows to the press in apology. [Image Source: Reuters]

For Mt. Gox customers, the news seemingly went from bad to worse this week when an unknown individual entered the [##mtgox-chat](#) IRC channel with the stunning claim that [a hacker collective deeply penetrated Mt. Gox's network](#) prior to its bankruptcy. The poster writes:

i just relay... i cant good english... they say me there is botnet [attacking?] gox company for some year to get file. they have 20gb document and give me share here. i not hacker... just posting. i just translate some the line in room of talk... [the room] is Russian is russian so copy paste here senseless... apology [but] i cant share original [so its] useless to ask.

Going by the handle "nanashi" (Japanese for "anonymous"), the chatter looked to back up their bold claims by presenting a private recording of a phone call between Mr. Karpelès and a representative from Mizuho bank. They also posted a piece of Mt. Gox's proprietary PHP-scripted trading engine.

```
<?php

namespace Money;

class Bitcoin {
    #const BITCOIN_NODE = '173.224.125.222'; // w001.mo.us temporary
    const BITCOIN_NODE = '50.97.137.37';
    static private $pending = array();

    public static function update() {
        // update all nodes
        $list = \DB::DAO('Money_Bitcoin_Host')->search(null);
        foreach($list as $bean) {
            $bean->Last_Update = \DB::i()->now();
            $client = \Controller::Driver('Bitcoin', $bean->Money_Bitcoin);
            if (!$client->isValid()) continue;
            $info = $client->getInfo();
            if (!$info) {
                $bean->Status = 'down';
                $bean->commit();
                continue;
            }

            if (($info['generate']) && ($bean->Generate == 'N')) {
                $client->setGenerate(false);
            } elseif (($info['generate']) && ($bean->Generate != 'N')) {
                $client->setGenerate(true);
            }

            $bean->Version = $info['version'];
            $bean->Coins = (int)round($info['balance'] * 100000000);
            $bean->Connections = $info['connections'];
            $bean->Blocks = $info['blocks'];
            $bean->Hashes_Per_Sec = $info['hashespersec'];
            $bean->Status = 'up';
            $bean->commit();
        }
    }
}
```

Mt. Gox source code

And for good measure they posted some personal details of Mr. Karpelès and other Mt. Gox employees, including their phone numbers.

Asked how this data was obtained, the messenger -- who identified themselves as a Serbian -- said that in recent months hackers had installed a rootkit on one of Mt. Gox's servers via known flaws Gentoo Linux distribution that the poster says "<expletive> French (Mr. Karpelès) [did] not update."



gentoo linux™

Hackers reportedly gained access to Mt. Gox's servers via an outdated build of Gentoo Linux.

The poster's comments hinted that their hacker acquaintances were flush with oceans of Mt. Gox's customer data. Given the level of access, presumably this would include customer bank numbers, unencrypted passwords/usernames, and other sensitive information. Nanashi revealed that the hackers allegedly had scans of customers' passports, a proof of identification that Mt. Gox had typically required users to send when opening accounts.

Mt. Gox had become "Mt. Dox", exposing its customers.

III. Mt. Gox == Mt. Dox?

But for those tired of getting "goxxed" -- a term coined by Redditors to refer to being taken advantage of -- there was a bit of good news. According to nanashi:

they have db dump yes [but] they not stealer. [they] just want to show truth. but not easy, we dont have btc. i dont paid. [they] want gox boss going a jail for crime against user.

Asked if he knew where Mr. Karpelès had put the funds he allegedly stole, he remarked:

unknown... maybe put in fat french boss <expletive>.

While it's entirely possible that these promises of protecting Mt. Gox's users will fall flat, the leak does appear to be legitimate and reveals some telling details.



[Image Source: Collaborista]

These details are perhaps a good starting point to learn about the man people entrusted so much money with. Ultimately the leaked information is less compelling than the unread stories of Mr. Karpelès early career. But let us first find out about the Mark Karpelès of today, before looking at the fallen executive's troubles of yesterday.

IV. Leaked Bank Call Shows Karpelès to Struggle With Japanese Business Etiquette

First, the [leaked phone call](#) casts light on a backstory about the problems with banks that Mr. Karpelès was hinting at. In the call the banker informs Mr. Karpelès that he wants Mt. Gox to close its account for various reasons -- likely due to allegations of illegality. The banker is vague regarding the cause, but insistent that Mr. Karpelès close the account.

Publicly Mr. Karpelès had claimed to be "fluent" or "almost fluent" in Japanese. He wrote in [an Aug. 2007 blog](#):

Many of you knew, some didn't know, I went to Japan from July 15th to August 15th. During one full month, I had to speak Japanese, and live in the Japanese way.

I could stay in a guest house in Omiya, Saitama, and also spent one week in Osaka (during which I could go to Kyoto).

Thanks to that, I gained a few levels in Japanese Mastering, allowing me to speak Japanese (almost) fluently, speak with Japanese women which resulted in strange results, such as me, being a geekmaster, having a Japanese girlfriend.

And yeah, you probably can't believe it, but I now have a girlfriend, who happen to be a cute Japanese woman. Looks like being geek is not really a problem in Japan.

The best way to get a japanese girl « in your pocket » has a name : iPhone®

He later [brags](#):

I fully speak and understand spoken French, English and Japanese (which I'm unable to write, and sometimes unable to read).

MIZUHO

But his mastery of the Japanese language in the phone call comes off as rudimentary, so much so that he uses pronouns ("Ore") to refer to himself in a way that is considered rude and condescending to Japanese speakers. A commenter on Y Combinator's *Hacker News* [explains](#):

As explained below, Karpeles referred to himself as "ore". "Ore" is mostly used by men, and carries a boastful tone. Moreover, pronouns aren't necessary to make grammatical sentences, e.g. "I went to the bank" = "Ginko ni ikimashita" = "[Bank] [to] [did go]".

The only function of the word "ore" is to emphasize your own high status relative to whomever you're speaking to. In a bar, after a couple of drinks, among equals, it's quite typical for all the men (usually not women) to use "ore". But in a formal business meeting --- this is known to be an absolute no-no by anyone who has formally learned even a small amount of Japanese.

A fairly close analogy in English would be to randomly sprinkle <the F word> in your speech.

A discussion at Reddit examines this, with Japanese speakers saying the bank executive did not take offense to his mistake, while informing him of it. His lawyer -- a Japanese woman -- tried to calm the waters with an apology for her client's speech. A Redditor ("[MightySpoon](#)") [writes](#):

[His lawyer] comments [that] he is French, is bad at Japanese, and doesn't mean to be rude.

But that was far from the only peculiarity uncovered by the customers. At another point in the conversation, when asked by the banker whether his company owns/trades Bitcoins himself, he appears to lie, responding:

No, because it will be unfair to there customers.

(source: [japanesethroway](#) -- [post](#))

Despite Mr. Karpelès lawyer's objections, the banker tells him that closing the account is non-negotiable. He remains polite asking Mr. Karpelès with perhaps feigned interest about the progress of Bitcoin and his company, and even discussing where the best sushi in town lies.

In court last week and at a press conference regarding his exchange's closure, Mr. Karpelès claimed he himself was also a victim, suddenly claiming that he *did own* Bitcoins -- or at least had at one point. But his exchange's 100,000 Bitcoins were stolen alongside his customers', he claimed.



Mt. Gox's CEO makes the laughable claim that 99.9 percent of his assets were stolen before he noticed.

[Image Source: Gigaom]

But the sushi and Mr. Karpelès' prior claim that he did not hold Bitcoins were not the only fishy facts to emerge about the Frenchman in recent weeks.

V. Bitcoin Mogul Blames "Family Problems", Drugs for Early Arrests

It's unfair to judge someone for a single mistake, particularly a bad choice made in one's youth. Some even wear such incidents -- e.g. arrests for hacking in their younger years -- as badges of honor. But it's fair to examine whether such incidents truly represent the folly of youth or whether they were actually indicative of a broader pattern, driven by one's character flaws.

In Mr. Karpelès' case, accusations of fraud and business failure followed him throughout his career.

Born in Chenôve, France Mr. Karpelès grew up nearby Dijon. His mother [was a geologist](#) by trade, but [turned to a career in real estate](#). He wrote his first computer program at age 10. That same year he was sent to live at Collège Prieuré de Binson, a Catholic boarding school two hours north of Dijon.



Mr. Karpelès mother paid for him to attend posh boarding schools, but he allegedly "misspent" his youth, breaking computer laws and getting high. [Image Source: Patrick Dieu Donne]

Between Jan. 2006 and May 2012, the young coder posted his thoughts in the [MagicalTux blog](#). In posts written in French, he hints that he had a troubled childhood. He [writes](#) in one blog:

Never in the 20 years in France I did felt at home. I also had a lot of family problems.

He also writes of a mysterious arrest from his youth over "payment systems" and the internet. The post was first noted by members of Anonymous [and British member of parliament John Bercow](#) -- and later [picked up by Gawker](#) -- hints that the collapse of Mt. Gox isn't the first time that Mr. Karpelès has faced allegations of financial fraud. In his post he writes (translated by MP Bercow):

Indeed, during my misspent youth, I made a huge, huge mistake. Enough silliness that I found myself locked into custody and brought temporarily placed in the "mousetrap" (souricière: possibly "n.f. (pol.): 'Baited trap' laid by the forces of law-and-order."). This was followed by an investigation of more than a year, which eventually ended in a trial.

...

I will not give too much detail about what I did wrong, just say it concerns payment systems on the Internet. I spent two years taking risks becoming larger, perhaps because it was an exciting side ... whatever, I ended up getting arrested (in rather bizarre circumstances, noting that when I was arrested, I was just in a police station to file a complaint for something else).

Anyway, I was released four days later and placed under "judicial review". Basically I did not have the right to leave France and I had to go regularly to the courthouse to speak to someone who was going to see if I lived in "the right way".

Along with this, they tried to paint a picture of my personality. To do this, I had meetings with a kind of psych team. I went through various tests, a test to determine if I am a murderer, an IQ test, etc ... (I guess, eh, but having said that it should not be far to the IQ test because I not recognize a lot of standard questions).

Then I had the right to visits to a shrink. And it turned out, after much discussion, this psych was also interested in Japan (except that a psychologist there earns a rather good living, and they can go regularly) ... And I had a agreement with the therapist.

The agreement was rather simple. I had to do historical research in the history of Japan and write a report. Obviously it was not so complicated for me, but I could still see and more interesting things about some of the history of Japan.

In the end he stated in his report (which I have a copy) that I was not responsible for my actions, and that the abuse of cannabis was bad for my mental health. I was rather shocked (I never, oh, ever smoked substances "illegal", I swear on it), then

after thinking a lot, I finally concluded that it was can not be so bad as that.

In the end, the trial was not concluded too bad for me (3 months suspended sentence disappearing after 5 years, and nothing in the criminal record).

It's unclear when exactly this arrest took place, but it appears that it occurred between the time Mr. Karpelès was age 13 and 18, a period during which he was becoming active in the world of web hosting, hacking, and website development.

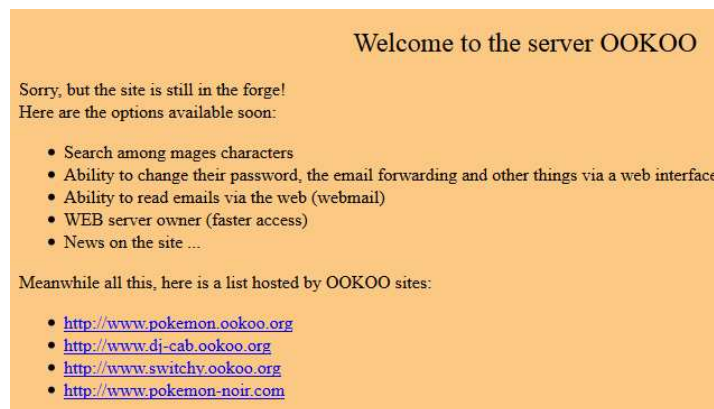


Mr. Karpelès' posts indicate that he has been arrested at least twice on fraud or computer crime suspicions, including an arrest where he was found guilty of fraud relating to money transfers. [Image Source: AFP]

The wording indicates that this is not the same event as his 2005 fallout with his employer, which led in a separate detention. Some have suggested that the two events are the same, but it appears that is not the case (the other incident will be discussed shortly).

VI. Going Legit?

In 2001, when Mr. Karpelès was about to turn 16 he was working [on a site called OOKOO.org](#). Curiously, he never mentions the site's early days in his resume. It's unclear whether this is due to its involvement in the aforementioned police troubles, or if he simply didn't find his work professional enough to show off.



In late 2001 OOKOO morphed into a new site, ff.st. An update to ookoo.org (which subsequently went offline) reads:

O OKOO.ORG changed its name and become [FF.ST](#) !

By Mr. Karpelès' [accounting](#), this was his first reputable work as a professional. The site no longer exists, but it can be [viewed here](#) in archived form.



According to a blog post, he lost his original hosting for the site when its location -- the World Trade Center -- was attacked.

VII. Bouncing From Failing Firms 2001-2003

Sometime in late 2001 and early 2002, while searching for new hosting, he crossed paths with the Riviera Group. This was a local business conglomerate that owned a web hosting service called Kalyone, which offered a service called Kalyweb.

He [elaborates](#):

[In] 2002 [I] worked [at] Kalyweb/Kalyone while still managing FF.ST (and installed my own server there too). Was going nice, but there was some problems I'm not fully aware of (was too young), and the whole thing went down without any second thought about customers (searching for "kalyone" on Google France might give some results)

Following his advice we discovered that Kalyweb went bankrupt and closed, with [the apparent filing date in Sept. or Oct. 2002](#). A reseller HMT-Pro (formerly: "de Mad Troll") describes this process as sudden, and left customers no time to recover their work. The site [posts \(translated\)](#):

Our supplier KALYWEB is in liquidation, we became aware of this state Monday, October 14, 2002 and we have not had time to finish preparations for the change when the Internet break occurred. In order not to speculate about this because only judges will now upcoming events about this company we do not dwell on this subject and we present the solutions implemented.



Mr. Karpelès, seen here in a photo from his younger years, first went to work at an IT firm that went bankrupt. He was fired (aka "kicked out") from his second professional job.

Mr. Karpelès, now age 18, landed on his feet, joining up with some KALYWEB veterans who launched a new web hosting service in Paris, France in 2003. He [writes](#):

[In 2003 I joined] RYA-Network (with some of the guys from Kalyone), where I could

use some of my past experience and improve many things. This allowed me to discover the datacenters world in Paris, with visits in different datacenters. Soon problems arised with unhappy customers, mainly because of poor sales methods, and I got kicked out while customers were sold to a third party (or so it seems).

Again, one does not have to look far to find a record of the mess RYA left. A post on Abraxar by a user dubbed "Lanfeust" suggests RYA seemed promising at first, but was already experiencing problems within months of its launch. During Mr. Karpelès' brief stint there, customers complained of service outages. The bitter customer wrote (translated):

The beginnings of RYA is encouraging, the dynamism of the small team is felt and the benefits are waiting for you, and forgive amateurism in business management attributed to the freshness of the team. However the site is classified as host "professional" and promises benefits high-flying (maintenance 24/7, guaranteed bandwidth, uptime 99% etc ...).

Unfortunately after a few months the first technical problems occur as a service interruption for several days during the summer. There is at this time a communication almost zero the RYA team towards customers, which for most insiders manage to get bits of information on an IRC channel at odd hours. We later learned that an interruption of a bandwidth provider has been the cause of incidents, and RYA minimize its responsibility in the matter, however, clear from the technological choices.

RYA appears to have collapsed at some point in 2004 or 2005.

VIII. Reprimanded, then Fired, Karpelès Threatened Suicide on Blog

But while Mr. Karpelès may have played a small part in the poor service that led to that demise, he was not around to see it as, by the sound of his description, he had been fired. In Oct. 2003 he [was hired by](#) a new company -- [Linux Cyberjoueurs](#). Owned by Stephane Portha, LC developed Flash games and Graal online, an MMO RPG.

The owner and Mr. Karpelès had a stormy relationship. While Mr. Karpelès generally portrayed this as a late development that only emerged in 2005, through 2003 and 2004 he was dogged with complaints from his boss. Portha accused him, among other things, of spending too much time in internet chats and forums while making no progress on code for the day.

Anonymous has leaked several letters. One discusses a March 12, 2004 incident, in which his employer [states](#):

Mr. Karpeles,

I find myself obliged to notify you of a reprimand for your misconduct.

You have been notified on numerous occasions that the use of the [workplace's] Internet and your computer are reserved for your professional work, but that occasional private use is tolerated provided that it does not impede the good conduct of the affairs of the company. (See your contract of employment)

In the office Friday, March 12, 2004 I observed that you not only did not do your [coding] work, but that you were [instead] using Internet chat software.

Also, I found it particularly troubling that you would lie [to me] when i asked you about what you were working on and that you [did not stop] your use of this software to chat after several requests for explanation [of your behavior].

If this happens again, we will be compelled to take serious disciplinary action, rather than a simple reprimand.

Please accept my sentiments on this matter, sir.

*Signed,
Stephane Portha*

In March 2005, Mr. Karpelès decided to abandon his work -- apparently without giving his employer any notice -- and travelled to Japan on a spur-of-the-moment trip to promote his Manga-related website. He [comments](#) (translated from French):

Having always dreamed of going to Japan, I gladly accepted. What follows is a race [with customs] to obtain a passport in less than 3 days, prepare a departure to Japan, fund my plane ...

Finally, I'm flying to Japan. Over there everything [is going great], I took a few thousand photos, and a whole lot of adventure, full of discovery and extremely exciting things.



In a 2006 blog, he writes that broke and on the verge of being fired, he considered hanging himself with a network cable. [Image Source: Darcy Moore]

Returning home from the "10 days of dream", he recalls being overwhelmed with "invoices, bills, bills" and seems to imply that he contemplated suicide. In his post he writes:

Big depression, I [decide I will send] a letter of resignation and I [will] hang [myself] with a network cable [from] my window (now that I [journeyed to] Japan I can die in peace.)

His employer (presumably Mr. Portha) talked him down by offering to buy his ff.st site and IRC channel for €3,100 (\$4,250 USD at the time, or about \$5,000 USD today). He sells his sites, and decides to move to Japan -- apparently not thinking that he should bother continuing to show up to work.

IX. Another Arrest Drives Karpelès to Japan

It appears he never formally resigned, so he ended up receiving an angry letter in July indicating that he was terminated. It appears that during his time off, and possibly even after he was terminated, he continued to allow automated backups of his employers code to occur, which later led to police trouble when he was embroiled in an investigation.

In late 2005 he had moved to Israel, hoping to get closer to his Catholic faith while working for internet company Fotovista. He seemed very passionate for about his new home in Israel, [writing he was using "Hebrew for Christians"](#) to learn the country's language. In a blog post he argues that Hebrew is as important to Christians as it is to religious Jews. He only worked at this job for a few months before he once again began to feel depressed and "empty" according to one blog.

He was also suffering more work problems. Israel at the time was suffering power outages related to conflict with Palestine and "the war" (presumably the Iraq/Afghanistan invasions by the U.S.) (or possibly the 2006 Gaza strip conflict with Hamas, which he [blogs about here](#)). He had been working on the side -- separate from his work at Fotovista -- looking to revive his Ookoo.org domain, which he still owns. But he says he lost most of his customers due to the power outages and service disruptions.



Mr. Karpelès comments hint he was fired from Fotovista, an Israel internet firm, after he failed to fit in.

There are some unsubstantiated rumors that he may have been fired from Fotovista when

they discovered he was spending most of his worktime maintaining Ookoo.org.

Whatever happened, it is clear that he was soon not employed by Fotovista and was forced to abruptly return to France. In a post (translated), he [writes](#):

[I arrived back] in France following the poor results of OOKOO and problems in Israel.

Arriving home he found himself arrested by BEFTI (Brigade Investigation of Fraud in Information Technology) -- French tech police. He describes the BEFTI officers as "barbaric", commenting that the arrest was "like no other".



In Jan. 2006, Mr. Karpelès is arrested again after allegations that he stole his employers' data. He is eventually released without being charged.

After 13 hours in jail and a search of the servers, Palm Pilot, and other home computers, he was finally released after making a statement.

At this point Mr. Karpelès has just turned 21. While still battling legally with his former employer (Mr. Portha), he started a new software-gearred business, Kinoko. He was also hired by *Telechargement.fr* and soon caught a lucky break. NEXWAY Comp., Ltd., a Japanese IT firm owned by the INTEC Group, aka IT Holdings Corp. ([TYO:3626](#)), purchased his employer, giving him the perfect opportunity to move back to Japan.



In 2009 he moved to Japan, where he stayed until today.

At this point he'd been arrested and found guilty of a financial computer crime once already, been fired from two (or possibly three?) jobs, was accused of being a poor worker, and was suffering from emotional issues.

How did he come to control a half billion in assets from this low?

What happened next to Mr. Karpelès? Would he turn the corner with his career? Or would things take a turn for the worse?

Let's just say these are far from the only career troubles and allegations of dishonesty that the young developer would face. You will find out more in a follow-up to be posted shortly.

Sources: [Pastebin \[1\]](#), [Reprimand Letter From Employer](#), [Magical Tux \[1\]](#), [\[2\]](#)

"We're Apple. We don't wear suits. We don't even own suits." -- Apple CEO Steve Jobs



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